

D.P.U. 95-1C

Application of Boston Edison Company:

(1) under the provisions of G.L. c. 164, §94G and the Company's tariff, M.D.P.U. 592-A, for quarterly review by the Department of Public Utilities of the annual fuel and purchased power adjustment charge, the New Performance Adjustment Charge and Fossil Generation Performance Adjustment Charge to be billed to the Company's customers pursuant to meter readings in the billing months of August, September, and October 1995; and

(2) for approval by the Department of rates to be paid to Qualifying Facilities for purchases of power pursuant to 220 C.M.R. § 8.00 and M.D.P.U. 545-A. The rules established in 220 C.M.R. § 8.00 set forth the filings to be made by utilities with the Department, and implement the intent of sections 201 and 210 of the Public Utility Regulatory Policies Act of 1978.

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FOR: BOSTON EDISON COMPANY
Applicant

I. INTRODUCTION

On July 3, 1995, pursuant to G.L. c. 164, § 94G and 220 C.M.R. §§ 8.00 et seq., Boston Edison Company ("BECo" or the "Company") applied to the Department of Public Utilities ("Department") for quarterly review of its fuel charge¹ in conformance with its tariff, M.D.P.U. 592-A, and for approval of a quarterly change of its Qualifying Facility ("QF") power purchase rates in conformance with its tariff, M.D.P.U. 545-A. The Company requested that the change be effective for bills issued pursuant to meter readings in the billing months of August, September, and October 1995. The matter was docketed as D.P.U. 95-1C.

Pursuant to notice duly issued, a public hearing on the Company's application was held on July 27, 1995, at the Department's offices in Boston. Notice of the hearing was published in the Boston Herald and The Boston Globe. The Company also complied with the requirement to mail a copy of the notice of the hearing to all persons with whom the Company has special retail contracts that do not incorporate a filed rate, and to all intervenors and their respective counsel from the Company's prior two fuel charge proceedings.

¹ On November 4, 1994, the Department approved an experimental annual fuel charge proposal submitted by the Company. Boston Edison Company, D.P.U. 94-1D at 17 (1994). Among other things, the experimental annual fuel charge permits the Company to levelize the fuel cost component at \$0.03059 per month for the period November 1994 through October 1995. Id. at 4. The Company will apply interest to the difference between the cumulative over/under recovery amount under the annual fuel charge and the over/under recovery amount that would normally occur if a quarterly fuel charge were in effect. Id. at 4-5. In Boston Edison Company, D.P.U. 95-1A at 11 (1995), the Department approved the Attorney General's recommended treatment of the New Performance Adjustment Charge which had the effect of creating an annualized New Performance Adjustment Charge by netting the projected cumulative over/under-recovery in the new performance adjustment charge expenses with the projected cumulative over/under-recovery in fuel cost component expenses.

In support of its filing, the Company sponsored two witnesses: Rose Ann Pelletier, power contracts division manager in the fuel and power contracts department; and Anne M. Lynch, senior research analyst in the fuel and power contracts department. The evidentiary record includes nine Company exhibits.

BECo is a public utility engaged principally in the generation, purchase, transmission, distribution, and sale of electricity. The Company supplies retail electric service to an area of approximately 590 square miles encompassing the City of Boston and 39 surrounding cities and towns. BECo serves about 570,000 residential customers, 91,000 commercial customers, and 1,600 industrial customers. BECo also supplies wholesale electricity to other utilities and municipal electric departments.

The Company's last base rate increase occurred in October of 1992 as a result of the Department's approval of a settlement agreement ("1992 Settlement") in Boston Edison Company, D.P.U. 92-92 (1992). The Company's previous base rate increase before D.P.U. 92-92 occurred in October 1989 as a result of the Department's approval of a settlement agreement ("1989 Settlement") in Boston Edison Company, D.P.U. 88-28/88-48/89-100 (1989).

II. FUEL CHARGE

On July 21, 1995, the Company filed with the Department its calculations of its fuel charge and proposed changes to its QF power purchase rates for the billing months of August, September, and October 1995. The Company's fuel charge is composed of a fuel cost component and a New Performance Adjustment Charge ("NPAC") levied in accordance with the 1989 Settlement and a Fossil Generation Performance Adjustment Charge ("FGPAC") levied in

accordance with the 1992 Settlement.

A. FUEL COST COMPONENT

For the billing months of August, September, and October 1995, the Company proposes no change to the fuel cost component of \$0.03059 per kilowatt hour ("KWH") pursuant to the experimental annual fuel charge approved in Boston Edison Company, D.P.U. 94-1D (1994) ("D.P.U. 94-1D") (Exh. BE-2, at 1). The Company projects that it will under-recover approximately \$8.2 million as of October 31, 1995 (Exh. BE-1, at 4). That is, for the period May 1, 1995 through October 31, 1995, the Company has projected a net increase of about \$8.2 million in its fuel adjustment clause expenses as compared to the fuel charge expenses projected in D.P.U. 94-1D, when the experimental fuel charge was initially proposed (Tr. at 7). The Company stated that this under-recovery or net increase in the proposed fuel adjustment clause expenses was the result of (1) higher than forecast capacity charge expenses; and (2) the projected under-recovery of \$834,639 in the NPAC² (Exh. BE-1, at 7). The Company, however, stated that the increases are partially offset by a reduction in expenses associated with changes in the forecast generation mix between the prior quarter and the present quarter and an estimated \$1.5 million associated with a replacement power expense refund³ (*id.* at 7). In Boston Edison Company,

² See Footnote 1, above.

³ On June 30, 1995, the Department issued its decision in Boston Edison Company, D.P.U. 94-1A-1 (1995) ("D.P.U. 94-1A-1"), the Department's performance review of the Company's generating facilities for the performance year November 1992 through October 1993. In D.P.U. 94-1A-1, the Department ordered a number of disallowances for replacement power costs attributed to extensions of planned outages at Pilgrim Nuclear Power Station ("Pilgrim"), New Boston Unit 1 and Mystic Units 4 and 7. D.P.U. 94-1A-1 at 64. The Department ordered the Company to refund to its customers expenditures for replacement power made during the
(continued...)

D.P.U. 95-1A at 11 (1995), the Department accepted the Company's proposal to establish a \$20 million threshold which would cause an interim fuel charge adjustment. Since the Company projects an \$8.2 million under-recovery, the Company does not propose any change in the fuel cost component of the annual fuel charge (Exh. BE-1, at 7).

In D.P.U. 94-1D, the Company proposed that interest be calculated on the cumulative over/under-recovery position above what would normally occur if a quarterly fuel charge was in effect. Since the Company projects that it will be in a cumulative under-collection position on October 31, 1995, the end of the experimental annual fuel charge, the Company stated that it plans to collect from customers approximately \$176,000 of interest (id. at 6).

B. NEW PERFORMANCE ADJUSTMENT CHARGE

In accordance with the terms of the 1989 Settlement, a Performance Adjustment Charge ("PAC") went into effect for the three-year period beginning November 1, 1989. See BECo Tariff M.D.P.U. 783. The 1989 Settlement further provided that beginning November 1, 1992, an NPAC would take the place of the PAC (1989 Settlement at 8). See BECo Tariff M.D.P.U. 784. The NPAC will remain in effect until October 31, 2000 (1989 Settlement at 11).

As defined in the 1989 Settlement, the NPAC is calculated as:

$$\text{NPAC} = \frac{[(\text{POUT} \times \text{PRAT}) + \text{SALP} + \text{PIA}]}{\text{KWH}}, \text{ where}$$

³(...continued)

performance year. Id. In Boston Edison Company, D.P.U. 95-1A (1995), the Company returned a preliminary amount of \$800,000 associated with the replacement power expense disallowed in D.P.U. 94-1A-1 to its customers through its fuel charge (Exh. BE-2, at 2). The Company is currently proposing to return to its customers approximately \$1.5 million through its fuel charge (id.).

POUT = one-third of the Company's retail share of the KWHs of net power generated at Pilgrim during the performance year⁴ during which the NPAC will be in effect;

PRAT = the Pilgrim Cent-Per-KWH Rate established under the 1989 Settlement;

SALP = a Systematic Assessment of Licensee Performance Adjustment;

PIA = a Performance Indicator Adjustment; and

KWH = the estimated number of KWHs to be sold by BECo under rates subject to the Department's jurisdiction during the applicable performance year (1989 Settlement at 9-11).

The product of the POUT multiplied by the PRAT, referred to by the Company as the CFA, for the twelve-month period from November 1, 1994 to October 31, 1995 is \$48,195,754 (Exh. BE-4, at 3). The CFA is based on a forecasted 68 percent Pilgrim annual capacity factor for the 1994-1995 performance year (id.).

The SALP Adjustment is based on Pilgrim's average SALP score issued by the U.S. Nuclear Regulatory Commission ("NRC") (1989 Settlement at 9). The NRC issued its most recent SALP evaluation on November 16, 1994. The average SALP score for Pilgrim in this report was 1.26 (Exh. BE-4, at 3). The 1989 Settlement provides that for each one tenth of a point that the SALP score is less than 1.6, \$500,000 will be added to the NPAC costs to be recovered over the remainder of the performance year (1989 Settlement at 9-11); thus, an increase of \$50,000 will be made for each hundredth of a point by which the SALP score is less than 1.6. Since the Company's score is 1.26, thirty-four hundredths of a point less than 1.6, the Company has included a positive adjustment of \$1,700,000 (\$50,000 x 34) in the calculation of

⁴ The term "performance year" shall refer to any of the eleven consecutive twelve-month periods beginning November 1, 1989 (1989 Settlement at 9-11).

the NPAC (Exh. BE-4, at 4).

The PIA contains five individual measures reflecting performance at Pilgrim:

(a) Automatic Scrams While Critical; (b) Safety System Failures; (c) Safety System Actuations; (d) Collective Radiation Exposure; and (e) Maintenance Backlog Greater Than Three Months Old (1989 Settlement at 9-11). The PIA is based on Pilgrim's performance relative to the industry. For the purposes of calculating the performance adjustment charge, the Company estimated that Pilgrim's performance on the first three of the five indicators will fall within the neutral zone (Exh. 4, at 4-5). Accordingly, the Company forecasts the PIAs for these indicators in the current period to be zero (id.).

The Institute of Nuclear Power Operations ("INPO") issued a report entitled "Performance Indicators for the U.S. Nuclear Utility Industry, 1994 Year-End Report" indicating that the median value of the most recent three year (1992-1994) collective radiation exposure performance of all boiling water reactors ("BWRs") was 322 man-rem per unit per year (id. at 5). As of June 30, 1995, the exposure to Pilgrim employees was approximately 488.3 man-rem (id. at 7). The Company is projecting an additional 21.7 man-rem of exposure over the next four months to bring the total collective annual radiation exposure to 510 man-rem (id.). Under the 1989 Settlement, for each performance year in which the number of man-rem of exposure is more than 25 percent greater than the median value of the most recent three year performance for all other BWRs, a negative amount equal to \$2,000 for each man-rem of exposure by which this indicator is more than 25 percent higher than the median shall be added to the NPAC (1989 Settlement at 10). For the forecast quarter, the Company has proposed a negative adjustment of

\$215,000 for the Collective Radiation Exposure component of the PIA (Exh BE-4, at 6).

INPO no longer provides the data used to calculate the Maintenance Backlog Greater Than Three Months Old. Therefore, the Department approved the use of the median value of 54.4 percent, as contained in the final 1990 INPO report, as the industry average for this indicator. Boston Edison Company, D.P.U. 93-1A at 13-14. As of June 30, 1995, the Maintenance Backlog Greater Than 3 Months Old was 31 percent. The Company is projecting this indicator to be no higher than 40 percent as of October 31, 1995. Under the 1989 Settlement, for each performance year in which the percentage of the corrective Maintenance Backlog Greater Than Three Months Old is more than five percentage points below the median percentage of that indicator for all other nuclear power plants, a positive amount equal to \$15,000 for each percentage point by which this indicator is more than five percentage points below the industry median will be added to the NPAC (1989 Settlement at 10). For the forecast quarter, the Company has proposed a positive adjustment of \$141,000 for the Maintenance Backlog Greater Than 3 Months Old component of the PIA (Exh. BE-4, at 6).

According to the terms of the 1989 Settlement, the PAC and the NPAC may be calculated using estimates of these performance factors (1989 Settlement at 7, 11). The 1989 Settlement also provides that the Company shall reconcile any estimates used in calculating a quarterly PAC or NPAC when final information concerning the performance factor values becomes available (id.). The NPAC may change on a quarterly basis because the Company's forecast of retail KWH sales has changed or because the Company has under- or over-recovered revenues from the previous quarter. The Performance Adjustment Charge and each of its components are subject to

reconciliation at the conclusion of each twelve-month period.

However, in D.P.U. 95-1A at 11-12, the Department's approval of a recommended offset of an increase to the NPAC against the projected over-recovery position established an annualized NPAC. Therefore, in D.P.U. 95-1A, the Department approved an NPAC of \$0.00326 for the billing months of February, March, and April 1995, as calculated and filed in D.P.U. 94-1D. Accordingly, the Company proposes no change to the NPAC for August, September, and October 1995 (Exh. BE-1, at 9).

The Company, nonetheless, provided a calculation of what the NPAC would have been for the current quarter had the NPAC not been levelized (Exh. BE-4). The Company stated that the NPAC would have been \$0.00351, an increase of \$0.00025 per KWH from the NPAC currently in effect (Exh. BE-1, at 9). The Company stated that the proposed increase is attributed to an increase of \$1,348,898 in the NPAC components and a \$0.5 million undercollection during the April through June period (id.). The increase in the NPAC components is due to revised amounts attributable to the SALP adjustment, and revisions to the Performance Indicators for collective radiation exposure and maintenance backlog greater than three months old (id. at 9). According to the Company, the under-collection was the result of lower than forecasted sales in the prior period (Tr. at 10). The Company stated that the difference in the revenue between the two factors has been used as an offset in the fuel adjustment charge (Exh. BE-1, at 8).

C. FOSSIL GENERATION PERFORMANCE ADJUSTMENT CHARGE

The FGPAC is comprised of two parts: (1) an Equivalent Availability Factor ("EAF") Incentive; and (2) a Heat Rate Incentive (1992 Settlement at 4-6).

The EAF Incentive is based on the weighted average annual EAF for the Company's fossil units -- Mystic Units 4, 5, 6, and 7, New Boston Units 1 and 2, and the Company's combustion-turbine units -- where weighing is a function of unit capacity (id. at 4). The EAF neutral zone is set at 76 percent to 84 percent. For each percentage point that the EAF falls below 76 percent for any performance year, the EAF Incentive will be a negative adjustment of \$500,000. For each percentage point that the EAF is above 84 percent for any performance year, the EAF Incentive will be a positive adjustment of \$500,000. The EAF may not exceed \$3 million, positive or negative, for any performance year (id. at 4-5).

The Heat Rate Incentive applies to the annual average heat rate at the Company's Mystic Unit 7 (id. at 5-6). The specific heat rate goal varies based on the capacity factor achieved at Mystic Unit 7. For any performance year, the Heat Rate Incentive will be a positive adjustment of \$7,500 for each British Thermal Unit ("BTU") per KWH that Mystic Unit 7's annual average heat rate drops below the neutral zone. The Heat Rate Incentive will be a negative adjustment of \$7,500 for each BTU per KWH that the heat rate exceeds the neutral zone for any performance year (id.).

For the forecast period, the Company anticipates that its performance in each of these areas will fall within the neutral zone. Accordingly, the Company has proposed no adjustment through the FGPAC (Exh. BE-5, at 1-3).

III. QUALIFYING FACILITIES

Pursuant to the Department's rules, 220 C.M.R. §§ 8.00 et seq., rates to be paid to QFs for short-run power purchases are filed at the time of the fuel adjustment charge filing. A QF is a

small power producer or cogenerator that meets the criteria established by the Federal Energy Regulatory Commission in 18 C.F.R. § 292.203(a) and adopted by the Department in 220 C.M.R. § 8.02.

Pursuant to 220 C.M.R. § 8.04, the Company is required to calculate short-run energy purchase rates on a time-of-supply basis for two rating periods: peak and off-peak.

In addition, the Company is required to calculate a non-time-differentiated rate, i.e., a total period rate, which is a weighted average of the time-of-supply rates, where the weighing is a function of the number of hours in each rating period. See 220 C.M.R. § 8.04(4)(b). The Company is also required, under 220 C.M.R. § 8.04(6)(b), to file its short-run capacity purchase rates, calculated on a KWH basis by voltage level, according to the formula in 220 C.M.R. § 8.04(6)(a).

In Exhibit BE-6, the Company has proposed the following standard rates to be paid to QFs during August, September, and October 1995:

Energy Rates By Voltage Level (Dollars/KWH)

<u>Voltage Level</u>	<u>Peak</u>	<u>Off-Peak</u>	<u>Total</u>
115 KV	0.03008		0.01833 0.02184
14 KV	0.03059		0.01860 0.02219
4 KV	0.03078	0.01871	0.02232
Secondary	0.03141		0.01904 0.02274

Short-Run Capacity Rates

<u>Voltage Level</u>	<u>Short-Run Capacity Rate</u>
115 KV	0.03009 dollars/KWH
14 KV	0.03094 dollars/KWH
4 KV	0.03139 dollars/KWH
Secondary	0.03239 dollars/KWH

IV. FINDINGS

Based on the foregoing, the Department finds:

1. that the fuel charge to be applied to Company bills issued pursuant to meter readings for the billing months of November 1994 through October 1995 shall be \$0.03385 per KWH, subject to refund and to quarterly review. The fuel charge shall be comprised of a fuel cost component calculated as shown in Table 1 attached to this Order, and a New Performance Adjustment Charge calculated as shown in Table 2 attached to this Order; and

2. that the QF power purchase rates for August, September, and October 1995 shall be the rates set forth in Section III of this Order.

V. ORDER

Accordingly, after due notice, hearing, and consideration, it is

ORDERED: That Boston Edison Company is authorized to put into effect a fuel charge of \$0.03385 per kilowatthour as set forth in Section IV, Finding 1, of this Order for bills issued pursuant to meter readings in the billing months August, September, and October, 1995, subject to refund; and it is

FURTHER ORDERED: That the fuel charge approved herein shall apply to kilowatthours sold to the Company's customers subject to the jurisdiction of the Department; and it is

FURTHER ORDERED: That the Company's Qualifying Facility power purchase rates for the billing months of August, September, and October 1995 shall be those stated in Section III and found to be proper in Section IV of this Order; and it is

FURTHER ORDERED: That the Company, in all future fuel charge proceedings, shall notify all intervenors and their respective counsel from the Company's prior two fuel charge proceedings that it is proposing an adjustment to its fuel charge, and shall also notify these persons of the date scheduled for the hearing on the proposed fuel charge at least ten days in advance of the hearing; and it is

FURTHER ORDERED: That the Company, in all future fuel charge proceedings, shall provide all intervenors and their respective counsel from the prior two fuel charge proceedings with a copy of its fuel charge filing, in hand or by facsimile, on the same day it is filed with the Department; and it is

FURTHER ORDERED: That, pursuant to G.L. c. 164, § 94G(a) and (b), the fuel costs allowed by this Order are subject to such disallowance as the Department may determine in any subsequent investigation of the Company's performance period that includes the period applicable to the present charge; and it is

FURTHER ORDERED: That the fuel charge shall appear as a separate item on all customers' electric bills and shall be referenced with a footnote that will identify each customer's fuel cost component and will explain that the fuel charge also includes the New Performance Adjustment Charge.

By Order of the Department,

Kenneth Gordon
Chairman

Mary Clark Webster
Commissioner

Janet Gail Besser
Commissioner

Appeal as to matters of law from any final decision, order or ruling of the Commission may be taken to the Supreme Judicial Court by an aggrieved party in interest by the filing of a written petition praying that the Order of the Commission be modified or set aside in whole or in part.

Such petition for appeal shall be filed with the Secretary of the Commission within twenty days after the date of service of the decision, order or ruling of the Commission, or within such further time as the Commission may allow upon request filed prior to the expiration of twenty days after the date of service of said decision, order or ruling. Within ten days after such petition has been filed, the appealing party shall enter the appeal in the Supreme Judicial Court sitting in Suffolk County by filing a copy thereof with the Clerk of said Court. (Sec. 5, Chapter 25, G.L. Ter. Ed., as most recently amended by Chapter 485 of the Acts of 1971).